



Governor's Tourism Advisory Council Meeting (TAC)

Tuesday, November 13, 2012

10:00 a.m. – 2:00 p.m.

Arizona Office of Tourism (AOT)

1110 West Washington Street, Suite 155

Phoenix, Arizona 85007

Meeting Minutes

I. Call to Order/Approval of July 11, 2012 Governor's Tourism Advisory Council (TAC) Meeting Minutes.

Jody Harwood called the meeting to order at 10:10 a.m. The following TAC members were present: Jody Harwood, Richard Vaughan, Lorraine Pino, Kelly McCullough, Teresa Propeck, Victoria Yarbrough, Susan Sternitzke, Raphael Bear, Jeff Serdy, Delcie Schultz, Bruce Lange, and Stacey Button. AOT staff present: Sherry Henry, Mark Stanton, Linda Yuhas, Chris Mardian, Laura Franco French, Kiva Couchon, Mary Rittmann, Rebekah Bell, and Karen Churchard.

Heidi Hanson, the new Executive Director of Flagstaff Convention and Visitor's Bureau joined by conference call as well.

Motion was made by Lorraine Pino to approve meeting minutes of July 11, 2012. Motion was seconded by Victoria Yarbrough. Minutes of July 11, 2012 were approved unanimously.

II. Arizona Office of Tourism (AOT) Updates

Sherry Henry, Director of AOT, gave an overview of AOT budget. The Proposition 302, Maricopa County money, is running as projected at \$6,800,000. Proposition 202, the gaming money, is slightly ahead of last year. Richard Vaughan asked Sherry Henry to confirm Prop 302 projections. Sherry confirmed projections are at \$6.8 million. Jody Harwood asked about Formula Funding. Sherry replied that Formula Funding is statutorily gone and will not return. The \$7,000,000 of the budget is from the General Fund. The Governor's budget and her projections will come out in January 2013.

Sherry Henry reported on the Governor's Missions with Arizona Commerce Authority. The Governor started the Governor's Trade and Economic Development and Tourism Missions. The first being in the spring of 2012, was in Germany, France and London. The second mission was in Toronto, Canada. These missions will continue, as the Governor sees tourism as the window to economic development. The Arizona Commerce Authority does the business follow up with AOT handling the tourism follow up. Governor Brewer is looking at Mexico as the next destination, which should take place spring 2013. Those attending the missions include the President and CEO of ACA, Sandra Watson, along with

David Drennan and Karla Teixeira, of ACA. Kim Sabow, Director of Communications and Eileen Klein, Chief of Staff with Governor's Brewer's office attended. And, Sherry Henry and Mark Stanton, along with Governor Brewer's security staff attended as well. Arizona is seen as a world class travel destination for businesses, leisure travel and trade.

AOT has contract representation in all these countries. AOT's major responsibility is to use the representatives to secure media exposure. The Governor is scheduled for television and business publication interviews.

Rebekah Bell, Director of Advertising of AOT, reported on the advertising campaign. From the national campaign standpoint, AOT is very excited to be back in the national space, and to see Arizona's much needed messaging in front of the domestic visitor.

The target demographics are not unlike previous years. AOT did elevate the Generation X group as a target and took a more strict look at the definition of affluent, resulting in considering only \$75,000+. The media supporting this campaign is a healthy mix between national broadcasts and newsprint. USA Today and Wall Street Journal have a print drop of \$2,000,000, reaching this affluent audience across the nation. The national campaign budget level has allowed AOT to place more impactful, engaging units. Most of the online last year consisted of static banners and full page ads. With additional budget, AOT is now running in-banner video, rich media units (expandables, multi-tabbed units), as well as gatefolds and inside front cover placements.

Marketing Cooperative Campaign- Rebekah Bell reported on this campaign, which was a directive from Governor Brewer to support rural Arizona, by assisting rural communities in making a larger splash with their ad placements and also with matching component of the spend. AOT matched at 1:1 for these placements, and also agreed to "anchor" every single placement. This campaign targets "boomers" as their primary audience and does open up the household income to \$50,000, with an emphasis on that \$75,000 visitor.

The campaign had a soft launch in mid-September, with the online component going live just last week. Initial unique site visits to the landing page supporting this campaign (arizonaguide.com/adventure) were over 1,700. AOT will continue to track the site performance as the campaign gets up and running with full media. There are a total of 19 communities who have participated with the total spend being \$1,000,000. AOT has allocated \$900,000 and the partners came in with approximately \$300,000.

Teresa Propeck asked if the communities could be made aware of future campaigns before they occur so all communities may be included.

Rebekah Bell presented an overview of Brand USA, which is the marketing organization created and funded by the 2010 Travel Promotion Act, which is responsible for marketing the US to international destinations. AOT made the decision to partner with Brand USA and was able to secure a 30% match. AOT was slated for a \$500,000 international campaign, which actually became a \$650,000 campaign through our partnership with Brand USA.

From a media standpoint, AOT is in the final stages of the planning for Canada, with Mexico pending. For both markets, AOT will target the affluent boomers and the generation X'ers with national media. In Mexico, Brand USA will be placing media on AOT's behalf. The focus in Mexico will be on the areas of Mexico City and Guadalajara, with a shift away from the Sonora area. In Canada, AOT will be looking at three different provinces. The two western provinces being focused on are Alberta and British Columbia. In addition, AOT will target the Ontario and Toronto areas. Canada will be a winter campaign, which is actually in the final stages of being completed.

For the Brand USA campaign, the analytics and objectives will mirror those of the national campaign closely, with site traffic being a high measure of intent, as well as Official State Visitor Guide (OSVG).

Richard Vaughan asked why AOT would move away from the Sonora area. Mary Rittmann replied that there are very few opportunities in Sonora, which partners are not already covering.

Brand USA has a visitor's guide, which they use as a fulfillment piece. AOT bought into the European and Americas edition. At some level, AOT will use the One Word campaign for Canada and Mexico. Specific to Canada, AOT will buy into inserts in Brand USA publisher piece, inserted into main Canadian newsprint titles.

Mary Rittmann, Director of Trade and Media Relations of AOT, reported on the Governor's initiative of launching efforts in emerging markets, including China and Brazil.

China has received increased attention lately from the United States tourism industry as it has been the fastest growing inbound market for several years (175% growth in visitor volume over the five year period 2007 – 2012) and Chinese visitors spend more per person than visitors from any other market (approximately \$6,500 per person). For additional statistics on the Mainland China Inbound Market please visit the U.S. Department of Commerce – Office of Travel and Tourism Industries website at <http://tinet.ita.doc.gov/>.

Below you will find a report from the Arizona Office of Tourism Exploratory Mission to China which took place September 10 – 14, 2012. This report is meant to include our observations, insights learned and anecdotal information however it is not backed by statistical research.

Travel Restrictions, MOUs, ADS, and Visas

China does not have a history of leisure tourism. In the past, the government only allowed its citizens to travel outside of China to visit relatives, on government delegations and for certain categories of business travel. It has only been in the last 10 to 20 years the government has allowed travel outside of China strictly for leisure purposes. Additionally, Chinese citizens are only allowed to travel to countries with Approved Destination Status (ADS) – those countries whose governments have signed a Memorandum of Understanding (MOU) with the Chinese government. The U.S. was granted ADS at the end of 2007.

With the MOU in place and ADS granted, the next step for a Chinese traveler looking to vacation U.S. is to receive a visa from the U.S. government. Acquiring a visa requires completion of an application, a

personal interview and a fee equal to approximately \$150 USD which must be paid whether the visa is granted or not. In the past, there were many complaints about the visa process including long waits to schedule an interview, having to travel long distances for the interview and difficulties for families and groups traveling together – who may have had some members granted a visa, but not all. During our visit we learned these complaints have been addressed. Wait times for interviews have dropped from 90+ days to less than 10, more visa interview offices have been opened, and groups and families traveling together are interviewed together thereby ensuring the entire group receives a visa (or not).

In addition to a vastly improved visa application process, the U.S. government is awarding virtually all Chinese visitors a multiple entry visa meaning they can visit as many times as they like during the 12-month period a visa is valid. Finally, visas renewed within four years of expiration don't require a personal interview and can be handled through the mail. The visa application fee still has to be paid, however this effectively turns a one year visa into a five year visa. Just for comparison sake, U.S. visitors to China also need a visa, issued by the Chinese government. Similarly, visas are valid for one year, can be arranged for one trip or multiple entries, and must be identified as tourist visa or business visa. For example, I applied for a one year, multiple entry tourist visa and the cost was \$160. In order to avoid traveling to Los Angeles to visit the consulate in person, I used an expeditor who charged an additional \$79 processing service charge.

Traveler Preferences and Travel Patterns

Chinese travelers are traveling all over the world, but the U. S. is one of their top choices for long haul travel. We asked several people why the U.S. is so appealing to Chinese visitors and the most interesting response we received was because it is the “world's greatest democracy”. Of course, our great shopping and low prices don't hurt either. As mentioned above, Chinese visitors spend more per person than visitors from any other country, and much of that is spent on shopping. According to the people we talked to there are several reasons for this including:

- Amazing selection at great prices with frequent sales
- Low or no sales tax – taxes are very high in China, especially on luxury goods
- Authentic name brands – there is concern that name brand products purchased in China will be knock-offs
- Better quality – there is a belief that name brand products made in China and sold outside of China are of better quality than name brand products made and sold in China
- Gift giving – according to Chinese culture, if you have the ability to travel outside of China you should return with gifts for your friends and family back home
- Prestige – conspicuous consumption is rampant in China and if you have the ability to travel internationally you want to show off your international purchases when you return

Beyond democracy and shopping, visitors from China are interested in many of the same things as visitors from other markets such as history and culture, iconic American scenery and attractions, gambling, sightseeing and dining. Because they live in crowded cities they enjoy getting back to nature

and open spaces, although we were told on several occasions they're not particularly adventurous when it comes to activities such as sky diving, canyoneering, etc.

The main gateways to the U. S. continue to be Los Angeles and San Francisco, although there is also non-stop service from key cities in China to Seattle, Chicago and New York. On several occasions we were told Chinese travelers prefer to fly into a gateway city and then travel by car or motorcoach, visiting several cities and states on the same trip. Cross-country road trips are not uncommon.

Like travelers around the world, Chinese travelers travel at all times of the year, although there are key times of increased travel activity. China celebrates three national holidays each year – frequently referred to as Golden Weeks – when many employees have off for the entire week and schools are closed. These three holidays are the Chinese New Year typically at the beginning of February, Labor Day at the beginning of May, and the National Holiday/Middle Autumn Festival at the beginning of October. These holidays shift dates slightly each year. Students have a summer break typically in July and August which encourages family travel.

Media

During our visit to Beijing we met with a PR firm that presented an overview of their company as well as the media landscape in China. Their presentation mentioned that China offers 2,000 newspapers, 9,851 magazines, 4,000 television channels, 2.8 million websites and 1,500 radio channels including Chinese editions of many publications we are already familiar with such as Travel & Leisure, National Geographic Traveler, etc.

The internet and online media are extremely important in China with terms such as “netizen” coined to define a citizen on the net. Many western websites and social media platforms such as Facebook and Twitter are blocked, but China offers comparable platforms. The social media platform mentioned most often as the most influential in China is Weibu, often referred to as a microblog, similar to our Twitter. The key difference is that 140 characters in China is equivalent to nearly 500 – 600 characters in English, as many Chinese characters represent entire words or syllables.

At the recent Global Travel Outlook Conference (GTOC) held October 25 – 26, 2012 in Chicago, Jens Thraenhardt of Dragon Trail provided four key reasons the Chinese market has so quickly and so completely adopted social media. First of all, with many people migrating from the rural areas to the cities, families have been separated and social media is a good, inexpensive way to keep in touch. Secondly, broadband is affordable in China. Thirdly, the one child policy that has been in effect since 1980 has led to lonely children, looking to make new friends. Finally, there is an underlying distrust of government controlled media.

We still need to do additional research on this, but in most cases it was strongly recommended we have an online presence in simple Mandarin. Additionally, we were told it helps to have your website hosted in China to ensure it isn't blocked by the Chinese government.

Tour Operators, Travel Agents and the Trade Infrastructure

Currently, many Chinese visitors to the U.S. are purchasing packaged tours which highlight a 14 day tour including Los Angeles, San Francisco, Las Vegas (with a stop at Grand Canyon), Washington D.C. and New York. There are many operators offering these tours and they are very price competitive. Fortunately, the market is maturing quickly and today travelers are not only considering frequent individual traveler (FIT) packages and independent holidays, but also looking to visit new destinations. Since it has gotten so easy to renew a U.S. visa, many travelers are taking advantage by scheduling multiple trips to the U.S. in just one or two years.

Therefore, tour operators are looking for new product that can be sold at a higher profit. There is a considerable lack of knowledge about destinations beyond those highlighted above, but the Chinese tour operators are being educated quickly. On many occasions when we met with the trade they mentioned they had several other appointments scheduled for the same day with other destinations, hotels and suppliers. They talked about the new itineraries they were developing and we were especially thrilled to learn about Route 66 driving tours that highlight traveling from Los Angeles to Chicago along the “Mother Road”.

The tour operator infrastructure in China is still relatively weak, but it is developing rapidly. Many tour operators act as travel agents, handling both inbound and outbound travel. The largest tour operators are based in the first tier cities (Beijing, Shanghai and Guangzhou) and travel agents around the country sell product from these tour operators. The weakest link in the infrastructure is a lack of reputable receptive operators. Much like other countries, Chinese operators like to work with Chinese receptive operators even if that means they must sacrifice quality, service and/or options. However, that too is improving with some operators working with traditional receptive including America Asia, American Tours International (ATI), Lion Tours and China Host.

In order to establish a baseline, we’ve conducted an inventory of Chinese tour operators currently offering product to Arizona which is available by contacting Jennifer Sutcliffe at jsutcliffe@azot.gov or 602-364-3693. As we suspected there would be very little Arizona product being offered beyond the Grand Canyon, we also accumulated a list of key targets – those operators focused on luxury, golf and adventure as well as the largest operators and the most important operators selling the U.S.

While one might expect travelers from this emerging market to be most likely to purchase a group tour that really isn’t the case. Group tours are no more popular in China than most other markets. Travelers from China, especially younger travelers, tend to speak fluent English, are comfortable driving and enjoy making their own arrangements via the internet. FIT packages and independent travel are rapidly growing segments of this market.

There are many travel tradeshow taking place across China each year and more are being added all of the time. Many representation companies and tour operators admitted there are too many tradeshow occurring and you can’t possibly attend them all. Some of the most important tradeshow mentioned consistently were:

- China International Travel Mart (CITM) – a huge trade and consumer show which takes place every November alternating between Shanghai and Kunming each year. Brand USA coordinates a pavilion at this show each year. (<http://www.citm.com.cn/english/index.aspx>)
- Beijing International Tourism Expo (BITE) – a large trade and consumer show which takes place each June in Beijing. Brand USA coordinates a pavilion at this show each year. (<http://www.bitechina.com.cn/>)
- World Travel Fair (WTF) – another large trade show and consumer show which takes place each May in Shanghai. (<http://www.worldtravelfair.com.cn/en/>)
- China Outbound Travel and Tourism Market (COTTM) – a large trade show which takes place each April in Beijing. (<http://www.cottm.com/>)
- China Incentive Business Travel and Meeting Exhibition (CIBTM) – a trade show specifically targeting MICE markets which takes place each September in Beijing. (<http://www.biztradeshows.com/trade-events/cibtm.html>)
- Guangzhou International Travel Fair (GITF) – a large trade and consumer show which takes place each March in Guangzhou. (<http://www.gitf.com.cn/en/>)

Why China? Why Now?

Not only is China the fastest growing inbound market to the U.S., but it is growing at a time when many of the traditional, mature markets have seen little or no growth. Much of the growth in Chinese visitation is supported by their rapidly growing economy and expanding middle class and despite the concern that an economic slowdown is underway, it is predicted there is still enough growth to support increased outbound travel. If you add to that the relative ease of securing a U.S. visa, new promotional campaigns from Brand USA and the Chinese travelers' interest in new destinations, now is the perfect time for Arizona to launch efforts in mainland China.

Much like China, Brazil has also received increased attention lately from the United States tourism industry as it has been one of the fastest growing inbound markets (57% growth in visitor volume over the five year period 2007 – 2012) and Brazilian visitors are big spenders, spending more than \$5,500 per person per trip. For additional statistics on the Brazil Inbound Market please visit the U.S. Department of Commerce – Office of Travel and Tourism Industries website at <http://tinet.ita.doc.gov/>.

Below you will find a report from the Arizona Office of Tourism Exploratory Mission to Brazil which took place October 8 – 12, 2012. This report is meant to include our observations, insights learned and anecdotal information however it is not backed by statistical research.

Visas

Brazilian travelers to the United States need a visa from the U.S. government to gain entry to the country. Acquiring a visa requires completion of an application, a personal interview and a fee equal to approximately \$150 USD which must be paid whether the visa is granted or not. In the past, there were many complaints about the visa process including long waits to schedule an interview, having to travel long distances for the interview and difficulties for families and groups traveling together – who may

have had some members granted a visa, but not all. During our visit we learned these complaints have been addressed. Wait times for interviews have dropped from 90+ days to less than 10, more visa interview offices have been opened, and groups and families traveling together are interviewed together thereby ensuring the entire group receives a visa (or not). U.S. visas for Brazilians are good for 10 years or until the current passport expires, whichever is sooner.

There is a great deal of talk about Brazil becoming one of the next visa waiver countries. In order for this to happen the Brazilian government will have to agree to supply information on their travelers to the U.S. prior to their arrival in the U.S. Additionally, all visitors from visa waiver countries are required to complete the Electronic System for Travel Authorization (ESTA) form online prior to arrival. This topic seems to be generating more conversation lately because it might actually happen in the next few years. Brazil is poised to host World Cup in 2014 and the Summer Olympics in 2016. Americans are widely seen as a key audience for these huge events, but at this time they are required to have a visa to visit Brazil and this may discourage many people. It seems the only reason Americans are required to have a visa to visit Brazil is reciprocity – because the U.S. government requires Brazilians to have a visa to visit here. If the U.S. government grants visa waiver status to Brazilians, then Brazil will drop their requirement for U.S. citizens. Many people we spoke to felt with these upcoming mega-events the Brazilian government has a strong incentive to meet the U.S. government's requirements for visa waiver status...and will probably do this before the 2014 World Cup. If visa waiver status is granted, it is widely believed the number of Brazilian visitors to the U.S. will double in less than two years, based on what has happened in other markets in similar situations.

For comparison sake, I acquired a 10 year business visa for Brazil at a cost of \$180. In order to avoid traveling to Los Angeles, the nearest Brazil Consulate, I used an expediter who charged an additional \$100 service charge.

Traveler Preferences and Travel Patterns

As my trips to Brazil and China occurred in such rapid succession, it's hard not to compare and contrast the two markets. Both markets are frequently lumped together and referred to as emerging markets, however from my perspective this is one of the biggest contrasts. Even though it seems like Brazil has just recently emerged as a viable market for the U.S., Brazilians actually accounted for large numbers of inbound visitors in the late 1990's. China, on the other hand, is truly emerging as a viable market for worldwide destinations, not just the U.S.

During this trip we met with Luiz Moura who is currently under contract with both the U.S. Travel Association and Brand USA. Prior to this, he worked as an employee of U.S. Travel Association in Sao Paulo, Brazil. With more than 20 years experience in the Brazil travel industry he has a great deal of insight. Mr. Moura mentioned Brazilians were traveling to the U.S. – particularly Florida – in large numbers in the late 1990s. Around 1998 or 1999 Brazil suffered a massive 4:1 currency devaluation that caused the price of a trip to the U.S. to quadruple overnight. Visitation decreased immediately, but was starting to rebound at the beginning of 2000/2001, and then came 9/11. Worldwide travel slowed and the U.S. government toughened entry requirements. Visas became more difficult to attain as personal

interviews were required and connecting passengers were required to have a visa, even if they weren't staying in the United States. But through all of this, Brazilians didn't stop traveling – they just looked in other directions. With cultural ties and a shared language, Portugal has always been a huge destination for the Brazilian market. From there they expanded throughout Europe, the Middle East and Asia. Today more than 25 international airlines service Sao Paulo's Guarulhos International Airport including carriers such as Air France, Lufthansa, Swiss Air, Turkish Air, Etihad Airways, Emirates, Qatar, Korean Air, Air China and South African Airways just to name a few.

Currently, though, air service to the United States is limited with no non-stop service available to the West Coast. At this time, all of the major U.S. carriers have routes to Brazil – United through Houston and Newark, American through Miami and Dallas, Delta through Atlanta and US Airways through Charlotte (to Rio de Janeiro only) – but load factors are high and rates are expensive. Prior to 9/11 there was service to Los Angeles, but that was eliminated when visa restrictions were tightened as this service was used to go beyond Los Angeles as well. One of the shortest routes from Brazil to Japan is through Los Angeles, and carriers were taking advantage of the fact they could service passengers from all three countries. After 9/11, when Brazilian passengers were required to have a visa simply to land in Los Angeles and take off for Tokyo, passenger numbers dropped, alternatives were found, and eventually the service from Sao Paulo to Los Angeles was cancelled. With rapidly growing visitation, it's only a matter of time before U.S. carriers offer more nonstop service to more destinations in Brazil and the U.S., but for now this is one of the greatest impediments to increasing travel to the West Coast.

Florida – especially Miami, Orlando and Fort Lauderdale – have been targeting the Brazilian market for 20 years. There is great air service between Brazil and Florida and this is the destination of choice for Brazilian travelers. Many people we spoke with mentioned Brazilians like to travel to destinations that offer great shopping and dining, nightlife, culture and beaches. I was surprised to learn Brazilians would travel to Florida on a beach vacation, as they have so many great beaches at home, but time and time again we were told it was cheaper to take a beach vacation in Florida than Brazil. New York is the second most popular destination, with Las Vegas coming in a distant third. Ski vacations are also exceptionally popular, with places like Vail and Aspen targeting this market for many years.

It's difficult to overestimate how important shopping is to the Brazilian market. On several occasions we were queried as to whether or not there was a Premium Outlets in Arizona. We heard several stories about Brazilians having to purchase new suitcases to carry home all of their purchases. An owner of one of the representation companies actually mentioned when she found out she was pregnant she went to the U.S. to buy everything she would need for the new baby including clothing, car seat, crib, etc. Apparently, the taxes are so high in Brazil it is cheaper to fly to the U.S. for shopping – even if you have to pay a small duty.

Most Brazilians receive four weeks vacation per year although they are rarely allowed to take more than two weeks at a time. When traveling they seem to prefer to visit only one or two destinations (such as Miami and Orlando), rather than take a road trip highlighting multiple cities and states. Additionally, they like to return to places they've been before. All of this makes it difficult for a new destination to

make inroads with the Brazilian market. However if a new destination is successful, this market should be loyal for many years to come.

As Brazil is in the southern hemisphere, their seasons are opposite ours. Consequently, children have summer vacation beginning in December and concluding in February along with a mid-year break in July. The most important travel times for Brazilians include Christmas/New Year, Carnival/Ash Wednesday, and Easter. Summer break and midyear break are also important for family travel.

Media

Unfortunately we didn't have the opportunity to collect the same media statistics in Brazil we did in China. The media landscape includes all of the outlets found in other mature markets such as magazines, newspapers, television, online and social media. Many of the social media platforms found in the U.S. are found in Brazil and are nearly as popular.

Tour Operators, Travel Agents and the Trade Infrastructure

The tour operator infrastructure in Brazil is mature and well-defined including large numbers of tour operators, travel agents (as many as 40,000 across the country!) and wholesalers. Much of the product currently being offered is frequent independent traveler (FIT) packages to the key destinations of Florida, New York and Las Vegas. Group travel hasn't been as popular in Brazil as in mature European markets however one tour operator mentioned it is a growing segment, especially for new destinations. Brazilians – like many Latins – have a tendency to wait to the last minute to plan their vacations at which point it becomes more essential to have assistance making travel plans.

In order to establish a baseline, we've conducted an inventory of Brazilian tour operators currently offering product to Arizona which is available by contacting Jennifer Sutcliffe at jsutcliffe@azot.gov or 602-364-3693. As we suspected there would be very little Arizona product being offered beyond the Grand Canyon, we also accumulated a list of key targets – those operators focused on luxury, golf and adventure as well as the largest operators and the most important operators selling the U.S.

There are many travel tradeshow taking place across Brazil each year and more are being added all of the time. Many representation companies and tour operators admitted there are too many tradeshow occurring and you can't possibly attend them all. Some of the most important tradeshow mentioned consistently were:

- Visit USA Brazil – a tradeshow coordinated by Jussara Haddad at the U.S. Commercial Service which brings together U.S. destinations and Brazilian tour operators for one-on-one appointments in both Sao Paulo and Rio de Janeiro. Travel agent seminars are also offered. This show typically takes place in April, but will probably move to May in 2013 due to competition from other shows now occurring in April. For more information contact Jussara Haddad at jussara.haddad@trade.gov.
- WTM Latin America – after several years of cooperation, the Brazilian Association of Tour Operators (BRAZTOA) has officially joined forces with Reed Exhibitions to become official

partners for WTM Latin America. WTM Latin America will follow a format similar to WTM London, but will also incorporate BRAZTOA Business Meeting within this larger trade show which will take place each April in Sao Paulo. Brand USA coordinates a pavilion at this show each year. (<http://www.wtmlatinamerica.com/>)

- Brazilian Travel Agents Association (ABAV) – Tourism Fair of the Americas – a large trade show primarily targeting travel agents which takes place each October. In 2012 ABAV was held in Rio de Janeiro, but it will return to Sao Paulo for a few years beginning in 2013. Brand USA coordinates a pavilion at this show each year. (<http://feiradasamericas.com.br/?lang=en>)
- Festival do Turismo Gramado – this large tradeshow highlights morning seminars and afternoon tradeshow for travel agents and tour operators in Southern Brazil and takes place each November in Gramado. <http://www.festivalturismogramado.com.br/>)

Why Brazil? Why Now?

Inbound visitation from Brazil is growing rapidly and per person spending is the second highest of all markets. Once again, a strong economy and expanding middle class support increased inbound visitation in the years to come. If you add to that the relative ease of securing a U.S. visa, new promotional campaigns from Brand USA and the Brazilian travelers' continued interest in the U.S., now would seem to be the perfect time to launch efforts here. However, unlike China, many people we met with in the Brazil tourism industry indicated a lack of confidence in their future economy. It seems they believe there will be continued strong growth for the next five to 10 years, followed by some sort of correction or decrease in GDP growth. For this reason they encouraged us to move quickly to launch efforts in Brazil so we can establish Arizona as a destination with loyal visitors before the economy changes.

\$1,000,000 of the \$7,000,000 budget has been allocated to explore the areas of Brazil and China, per the Governor. From the \$7,000,000 of General Fund monies, the Governor recommended, \$4,000,000 towards replacing the money AOT had from Proposition 302, which left \$3,000,000. Of this \$3,000,000, \$1,000,000 was put into place for the cooperative marketing program. \$1,000,000 was to get AOT back on the national scene and the other \$1,000,000 was to explore the two international emerging markets of Brazil and China.

Laura Franco French, Director of Community Relations at AOT, gave a Border update. ADOT and the Federal Highway Administration are working with Sonora, Mexican counterparts and border stakeholders to develop an integrated transportation master plan to improve the efficiency and effectiveness of cross-border traffic. Arizona has nine land ports of entry through which 23,000,000 people were processed in 2010. The Border Master Plan has four objectives which include:

- Developing and implementing a plan for identifying, prioritizing, and promoting land port of entry (LPOE) and related transportation projects over the short, medium, and long term.
- Design a process to ensure that relevant stakeholder agencies participate in the planning of the projects and related transportation infrastructure improvements.

- Increase the understanding of the LPOE and transportation planning processes on both sides of the border.
- Establish a process for continued dialogue among federal, state, regional, and local stakeholder agencies in Arizona and Mexico that will promote coordination on current and future projects.

Mexico is currently the 12th largest economy in the world, comparable to South Korea, and Arizona is the number one export partner. It is estimated that by 2015, Mexico will be the fifth largest economy in the world, with more than 110,000 jobs being dependent on this Arizona-Mexico relationship.

Laura also reported on the Border Region Economic Roadmap. Last year when the border mayors met, at the Arizona Mexico Commission (AMC), they discussed having a larger border wide dialogue. As a result, in January, the AMC put together a meeting of all relevant border stakeholders to discuss advancing and marketing border wide relationships. It was decided, by the executive committee to do a border region economic road map. The executive committee includes members of ACA, ADOT, AMC and AOT. When the vision is set, it will become a broader dialogue. The roadmap will address what makes border communities different from other rural communities; what is needed to make border communities sustainable; what needs to be done to address different needs of communities; and, priority areas to move border communities toward sustainability.

The scope of work for the roadmap will include completing a border regional assessment-infrastructure; conduct border region best practice research; conduct a border region asset inventory; reach consensus on a border regional economic vision; and, develop the Arizona Border Region Economic Roadmap and Marketing Strategy.

Karen Churchard, Assistant Deputy Director of AOT reported on the agency's strategic plan. This year, there have been many changes in state government. In years past, there were only some state agencies, which actually had to do five year strategic planning. Now it is mandated that all agencies must have a strategic plan in effect and the plan must be updated every year. AOT asked Karen Churchard to take the lead on this project. The plan's second version must be submitted this month and will continue to be followed and updated with every member being continually involved in this ongoing process.

Karen explained that the plan is based on a fiscal year. Currently, AOT is in the middle of FY 2013. The mission of AOT is to strengthen and expand Arizona's economy through travel and tourism promotion. The agency's vision is to have Arizona, not only the Grand Canyon, recognized as a world class destination within five years.

Karen reviewed the elements of each of the six main strategic goals within the plan.

In addition, Karen addressed the council with a question regarding possible annual presentations to the communities throughout the state beginning 2014, with a possibility of beginning in FY2015. The primary goal of the presentations would be community outreach with networking among the region and communities as a focus. The council expressed a strong interest in moving forward with the concept,

but emphasized how vital it is that AOT be aware of timeframes for purposes of collaborating, as the bureaus are on fiscal year calendars. Having a preview of upcoming events prior to budgetary slating is necessary.

The AOT Strategic Plan will be posted on the AOT website and the Office of Strategic Planning and Budgeting (OSPB) website as well.

Sherry reported for Kiva Couchon, Director of Communication and Public Information Officer of AOT. Kiva circulates two major publications, one of which is AOT at a Glance, an internal publication. Kiva would like to know if this publication is useful and if there are ways she can make it more relevant/useful. AOT in Action, which is published weekly, will include a survey. Members of the council spoke of the publication as a valuable resource. However, Jody Harwood suggested including information from Arizona Commerce Authority (ACA), Jeff Serdy suggested forwarding AOT at a Glance to each of the commerce departments in the state; and, Richard Vaughan suggested adding economic indicators to the AOT at a Glance.

Sherry reported for Dawn Melvin, Tribal Tourism Relations Manager for AOT. Sherry reported on the survey of tribal lands, for which eight of the tribes have already committed. This is one of AOT's projects for this fiscal year. This is a yearlong project, which will launch immediately and will include topics such as why people go to tribal lands, what their visitor profile is, etc.

Linda Yuhas did an overview of the changes in state government regarding personnel reform. Linda is the point person for AOT, in the Governor's initiatives for Personnel Reform. Last year, in session, personnel reform laws were introduced and became effective as of September 29, 2012 with the intentions of making state government leaner, more efficient and more effective. Before these laws were in place, the state ran with 80% of their staff as covered employees and 20% uncovered. The goal of this initiative is to change this within a five year time period so the numbers will be reversed with only 20% covered employees. Originally, as of September 29, 2012, anyone in the state who had a position of supervisor or higher, was automatically made an uncovered position. Opportunity was then offered to individuals with positions that were not affected by the mandate, to volunteer to change their status from covered to uncovered status. From the time AOT was created, all positions were classified as uncovered. Now, all state employees are under a personnel system, which was not the case in the past. The Arizona Department of Administration (ADOA) has developed a standard handbook for employees as well as processes for administration regarding their hiring, terminations, layoffs, and performance management. Performance review management programs are currently being developed by agency. A template was built by ADOA, with three competencies, which are statewide. The state can now leverage with the private sector to find the best talent, most skilled people and try to retain them. Human Resources operates on a calendar year. In January, many of the processes will go into place, which will change the dynamics for the state.

III. Area Reports

Area 1: Maricopa County

Lorraine Pino reported the hotel Occupancy for September had a 31% increase and there was an 8% increase in ADR.

Downtown Glendale

- 19th Annual Glendale Glitters
- Brelby Theatre-opening in Downtown Glendale

University of Phoenix Stadium

- Winter Fest
- 42nd Annual Fiesta Bowl- January 3, 2013
- LEGO Kids Fest-July 12-14, 2013

Jobing.com Arena

- Bruce Springsteen-December 6, 2012
- The Who-February 6, 2013

Bruce Lange reported concern relative to large group bookings. There were approximately 10,000 room nights worth of short notice cancellations. This trend is very unsettling and seems to be continuing. A change of momentum will take a substantial amount of time regarding large group bookings from a resort standpoint.

Jody Harwood reported for Maricopa and Yavapai counties. Two groups cancelled because they were contingent on using monies from the 1% education based tax, which failed.

Raphael Bear

- 31st Annual Orme Dam Victory Days-November 9, 2012
- Fountain Hills Thanksgiving Day Parade-November 22, 2012
- Preparation for Cactus League Spring Training is underway

Kelly McCullough is on the Arts and Culture Council and will soon be joining the Board of the Alliance for Arizona Non-Profit. As a group, the Arts and Culture Council is interested in becoming involved in having arts and culture become a part of tourism promotion. For the past two years, Arizona Public Broadcasting Service (PBS), for which Kelly is general manager, has been producing a show called "Check Please Arizona", which is in the third season of production. The restaurants featured in this show are up 50-100%. This has been a great economic driver for the restaurants featured.

Area 2: Pima County

Richard Vaughan reported Occupancy and RevPAR as being relatively flat. Some resorts are coming out of bankruptcy issues. The Westin is going through a \$30,000,000 renovation and is under new ownership structure. The Occupancy and RevPAR do not show signs in 2013 of increasing more than 2%, due to the fact that there is no new product. The downtown area is moving forward with the light rail project and should be complete by the end of 2013. El Tour de Tucson, which is a great economic impact to the community, will bring 9,000 cycles to Tucson. Accenture has signed up for the February 2013 golf tournament and will be at the Ritz Carlton venue. Some of the DMOs would like some assistance from AOT, regarding group bookings, in the way of possible trade show assistance to support the brand as well as what the individual cities are doing. This would help the group market as it does have an impact on leisure, pre and post.

Area 3: Apache, Coconino and Yavapai Counties

Stacey Button reminded the group that her division includes tourism, the airport and the Economic Development initiative. Her reports are through July 2013. The airport saw a 1% increase in the third quarter for enplanements. BVB revenues are up 5.6%. Occupancy is up 4.7%, ADR is up 3.2 % and RevPAR is up 7.9%. All indicators are still on track with expected increases. The visitor center just released a satisfaction survey with results reflecting 95% satisfaction. There is still a decline in walk-ins through September 2012. New businesses are still coming to the area with much interest from the attraction front.

- Do Downtown-February 2013

Teresa Propeck reported Verde Valley doing very well in the past three months, with hotels and restaurants reporting good numbers.

- Jerome Art Walk-November 2012
- Cottonwood- Chocolate Lover's Chocolate Walk
- Los Abridados Festival of Lights

Area 4: Yuma County

Susan Sternitzke reported:

Hotels were up 4.6% in September over last year.

The visitor bureau started the Yuma 101 Campaign to educate restaurants, hoteliers, etc. of the various attractions and packages available in Yuma.

- Agriculture season is gearing up with the agritourism programs to begin.
- AgriU-University- 10 educational seminars including culinary classes with locally grown ingredients begins in January. Sunset Magazine will feature an article in January covering the event.

- New aircraft NCAS Marine Corp S35 Strike Fighter-2 scheduled for November 20, 2012

Area 5: Pinal County

Jeff Serdy

- Lost Dutchman State Park attendance is up.

Area 6: Cochise County

Victoria Yarbrough reported on Graham County Occupancy rates, which were positive for the quarter. Every month of the quarter indicated significant increases in both Occupancy and ADR compared to same period last year. The area is entering its slower season as the numbers, while continuing to show a 12% or more increase from 2011's post fire season, are on a downward trend for the quarter. September's report indicates Occupancy at 47.8% and ADR at \$74.36. Graham County Chamber of Commerce partnered with Greenlee County to hold a FAM tour in August.

Greenlee County Occupancy rates and ADR were not available.

Santa Cruz County Occupancy rates and ADR have been significantly decreasing in the last quarter but have maintained in the current quarter. The Occupancy rate hovers in the 40% range and the ADR remains between \$68 and \$71.

Nogales-Santa Cruz County Chamber of Commerce Visitor & Tourism Center's President, Olivia Ainza-Kramer, reported the following:

- There has been a decrease of 30% domestic tourism visiting the area from last year. According to a recent survey, conducted by the Nogales-Santa Cruz County Chamber of Commerce Visitor & Tourism Center, safety is the main reason.
- Visitors to the Nogales-Santa Cruz area generally make plans for day trips. However, if they overnight, they stay in Tucson or Phoenix. They do not generally stay in the Santa Cruz County.
- During the last three years, snowbird visitors have decreased by 70%.
- Visitors from Mexico have also decreased due to waiting times at border, the recession, politics and misleading information.
- The chamber is working on consumer marketing campaign to attract international visitors.
- Farmer's Market-"First Friday" each month
- Winter Fest 2012-Nogales, Sonora-November 16-18, 2012
- Balloon Glow Festival-Tubac Golf Resort, November 10, 2012
- Christmas Light Parade-Nogales, Arizona-December 1, 2012

Cochise County and City of Sierra Vista:

- Occupancy rate still decreasing but ADR moving up 1% each month.

- City of Sierra Vista's restaurant/bar tax down by 18.8% and hotel/motel tax down by over 33.8% since same time last fiscal year. Numbers reflect overall downward trend for the city.
- www.visitsierravista.com continues to show high volumes of visitation and downloads.
- Online survey reflects results from survey conducted by NAU-top visitors' interest include birding/wildlife, ghost towns and military history.
- Satellite visitor center opened at local library to compensate for closures of visitor centers.

IV. Direct Marketing Ideas-Richard Vaughan

Richard proposed the idea of collaborating more effectively with the leisure databases, which are all within the DMOs, understanding the permission based elements faced. He commented that it would be interesting to have the state involved in this process. Richard would like to pursue this opportunity. Kelly McCullough commented that the Arts and Culture groups have put together a combined database through the initiative with ShowUp.com under the Alliance for Audience. Richard commented that the biggest challenge would be the execution of the effort, if it was agreed to pursue such a project. At this time, no other state is involved in such a process. Teresa Propeck noted that with the potential of over using databases, this process could be much more negative than positive. Richard expressed how useful this would be to successfully build a brand for Arizona. Sherry will bring this to the upcoming Tourism Directors meeting in Washington, D.C., to gain more insight on the potential of pursuing this process.

Call to the Public- none.

V. Adjournment

Lorraine Pino motioned to adjourn meeting with Teresa Propeck seconding the motion. The meeting was adjourned at 2:00 p.m.

Dated and mailed this 20th day of February, 2013.

